



Office of Housing and Redevelopment
39550 Liberty Street, Fremont CA 94538

NEIGHBORHOOD HOME IMPROVEMENT PROGRAM (NHIP)
Subordination Policy
July 2011

On occasion, the Redevelopment Agency ("Agency") of the City of Fremont will receive a request to subordinate its interest in a single-family home that has an outstanding home rehabilitation loan secured by an Agency second-trust deed. When a new mortgage loan (re-finance) is obtained, and the old mortgage loan is paid off, the Agency's interest in the property would move into first position on title, unless the Agency agreed to subordinate its interest to the new financing. Because most mortgage lenders refuse to make a loan with the most favorable terms unless their loan is in first position, the Agency will agree to subordinate its position on title to new financing if certain conditions are met. These conditions are described below:

1. While the Agency loan documents allow for borrowers to refinance their first mortgage loan, the refinancing must be approved by the Agency. In addition, the following requirements must be met:

- The amount received from the refinancing can be no more than the remaining principal amount of your first mortgage plus the closing costs (i.e., no cash out refinance).
- The Monthly Housing Cost the borrower pays is not greater than the Affordable Housing Cost for his or her income category as defined by Redevelopment Law (Agency staff will determine/approve).
- Borrower may not have filed bankruptcy within the past five (5) years.
- Agency will not subordinate to lower than 2nd position.

2. The Title Company or lender must send a subordination request to the Office of Housing & Redevelopment, along with the following supporting documents:

- Appraisal Report completed within the last 60 days
- Preliminary title report completed within the last 30 days.
- Credit Report
- Current mortgage statement (for the existing first mortgage)
- Estimated closing statement
- Loan application
- Preliminary loan commitment
- Good faith Estimate or HUD-1
- Documentation describing the proposed financing including:
 - The amount of the proposed loan
 - The interest rate
 - The term
 - The type of loan (only **fixed** rate loans allowed)
 - The current balance of all loans secured by the property

- Three most recent pay check stubs for all adult household members
- A statement of household composition (i.e. letter from the borrower listing all household members (ages and relationships))

3. Subordination Fee: **\$250.00**. To avoid any delay in the underwriting process, please include with your subordination request a **money order or cashier's check addressed** to the Agency's underwriter, **AmeriNational Community Services**. If you send a personal check, AmeriNational will not begin processing your subordination request until the check has cleared.

4. Once the Redevelopment Agency receives the documents mentioned above, the Agency will conduct an initial review of the submitted information. This process should take no more the **five (5)** business days.

5. The Agency will then forward the documents to its underwriting agent. The underwriting agent will evaluate the appraisal, title report, description of proposed financing, the current balance of all loans secured by the property, and the debt-to-value ratio. If all the required documents have been submitted with the subordination request, this process, typically, should take no more than **ten (10)** business days.

6. If the Redevelopment Agency's underwriting agent determines that the subordination request meets the Agency's requirements, then the underwriter will forward the subordination analysis to the Agency for approval. Upon the Agency's approval, the **Subordination Agreement** is prepared and forwarded to the Title Company or lender for borrower's signature(s). However, if the subordination request is not approved, the Agency's underwriter will notify the Agency and title company or the lender the reason for denial.

7. Once the Redevelopment Agency receives the Subordination Agreement (with borrower and notary signatures), it generally takes **five (5)** business days to process for appropriate staff signatures. When the Subordination Agreement is executed and ready for pick up, Agency's staff will notify the title company or the lender.

8. **Average total turn around time for processing Subordination Requests is a minimum of twenty (20) business days.**

Inquiries regarding Subordination Requests may be emailed to ohr@fremont.gov Attn: NHIP

The Title Company should submit subordination requests along with the required documentation to:

Mailing Address:

Office of Housing & Redevelopment, City of Fremont
39550 Liberty Street, POB 5006
Fremont, CA 94537-5006
Attn: **Neighborhood Home Improvement Program**

Delivery Address:

Office of Housing & Redevelopment, City of Fremont
39550 Liberty Street
Fremont, CA 94538
Attn: **Neighborhood Home Improvement Program**